

Region 11
San Diego and Imperial

Regional Economic Recovery Work Plan

San Diego Executive Summary

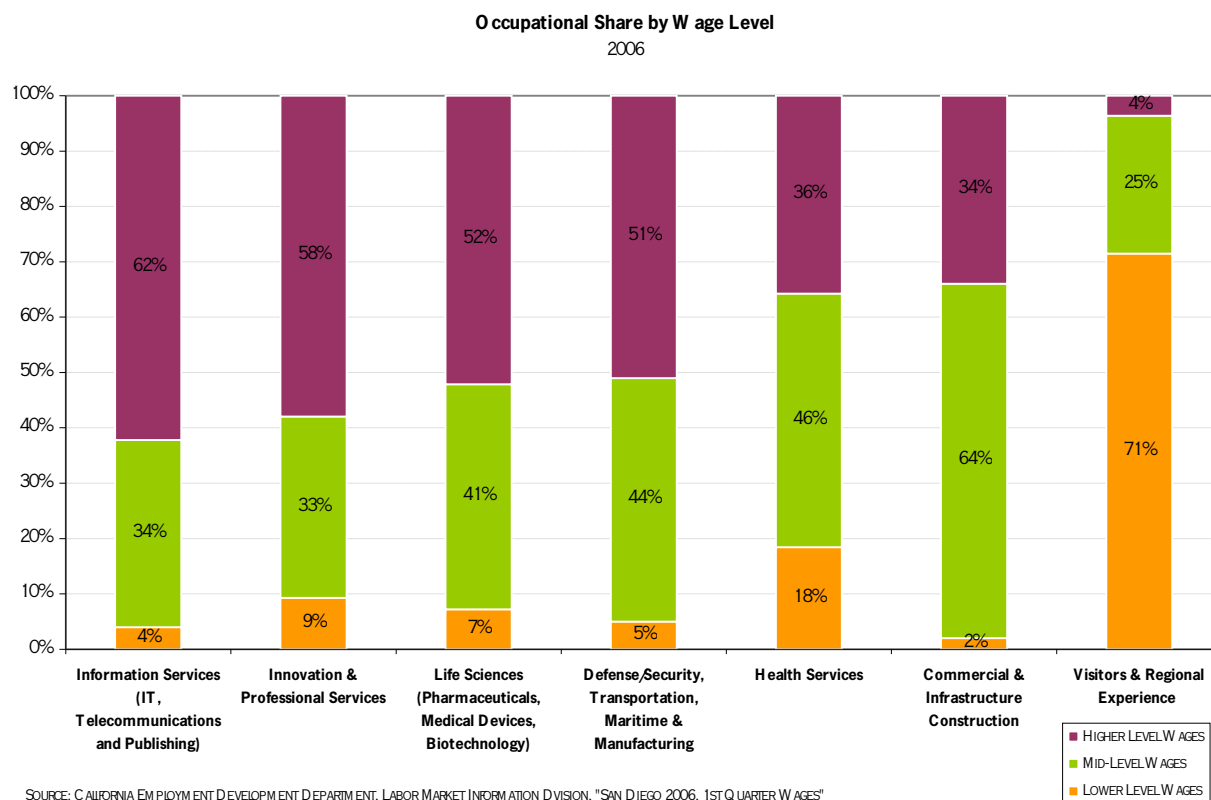
Like every community, San Diego is feeling the impacts of the current global recession. Unemployment has risen dramatically – and quickly - from 5.1% (January, 2008) to 8.7 % (February 2009). Two historic foundations of San Diego’s regional economy are both suffering significant declines: construction/Development and Travel/Tourism. While out performing the economy elsewhere in California, signs of recession are unmistakable:

	January, 2008	January, 2009
Gross regional product	\$171.2 billion	\$170.7 billion (Estimated)
Employment	1.46 million	1.44 million
Unemployment	5.1 %	8.7%
Hotel Occupancy	61.6%	53.2%
Median Home Price	\$431,000	\$280,000

This report summarizes activities underway throughout the region, led by the Mayors of our 18 municipal governments, the San Diego County Board of Supervisors, the San Diego Association of Governments (SANDAG), other elected officials, business executives, chambers of commerce and economic development corporations, as well as labor, education, and social service agency leaders. The road-map that results builds on competitive advantages that have driven our \$160 billion economy to rank among the top 36 in the world:

- ***Restoring health to two of the region’s four traditional industry clusters - Construction/Development & Travel/Tourism:*** The travel/tourism and construction/development clusters are experiencing significant disruption.
- ***Retaining and growing the high-tech clusters that have brought industry diversification, global “export” markets and higher wages to our region:*** Targeted regional investments in high tech industries have brought about significant diversification of San Diego’s economy:
 - Life Sciences
 - Software & Communications
 - Security/Defense

These investments have already paid important dividends. First, they have produced higher wage jobs for San Diegans (see chart below). Second, they have broadened the economic base of the region. Had San Diego’s economy been as reliant today as it was in 1975 on the tourism and development industries, both of which are enduring steeper recessions than the general economy, unemployment today might be at ranges seen statewide 10.2%, or in other regions: Los Angeles (11%), Sacramento (10.7%), Riverside (12.6%),



- EDC notes that this graph fails to reflect tip income – understating wages of some visitor & regional experience employees
- **Further diversifying our industry base with new, high wage jobs:** Leveraging San Diego strengths in life sciences, healthcare, information and communications technology, the region is targeting global presence in:
 - **“Smart” healthcare:** Wellness, and the delivery of personalized healthcare
 - **Security:** Integrating the region’s defense and security technology into new security markets through technology development and integration
 - **Maritime technology:** Through partnerships and collaboration, the cluster will add 5,000 new jobs in the next five years – and establish San Diego as a leading maritime center
 - **Cleantech:** The San Diego, Imperial County and Baja California “mega-region” will double the size of its cleantech cluster by 2015 in the areas of advanced transportation design, algae-based technologies, renewable fuels and energy storage through innovation-driven areas like building design, materials and construction, operating smart systems for energy, and water and waste management.
- **Workforce support and development:** New funding streams offer an opportunity to address both the needs of recession-impacted employees and evolving new industries:
 - Unemployment Assistance
 - Job training/retraining, with emphasis on emerging health care and clean tech opportunities

In support of these regional initiatives, four opportunities for state leadership emerge:

1. **Project nomination -Federally administered stimulus programs:** Inform Federal project selection decisions where national agencies will be making investment selections, including: \$17 billion in energy grid improvements, \$56 billion in Army Corp flood control projects, and environmental clean-up for both defense (\$5.1 billion) and non-defense (\$2 billion) sites
2. **Statewide coordination – Competitive Federal stimulus programs:** Manage and optimize California agencies where the Federal stimulus bill creates competitive funding programs, such as transportation.
3. **Public-Private Partnership Expansion:** Full implementation of recently enacted Public-Private partnership legislation will bring new, private dollars to the table.
4. **Regulatory flexibility & plan check expedite** Ensuring maximum flexibility in application of regulatory processes and adequate staffing levels at state agencies responsible for plan check of school and other infrastructure proposals will prevent delays

Additional regional coordination is also suggested by this report – for purposes of addressing questions such as:

- What regional projects can compete well for federal or state investments? Who will lead development of these project lists?
- What project coordination is needed within the region to expedite construction?

This report reflects the contributions of numerous individuals, agencies and business organizations – all of whom the San Diego EDC wishes to thank for their considerable efforts to return broad based economic prosperity to our region.

Imperial Executive Summary

The County of Imperial, like many other counties, is reacting to the impacts of the current national economic recession. Our region has been greatly impacted by this recession in areas of construction, housing development and commercial retail. With an unemployment rate of 22.6%, which is one of the highest in the nation, Imperial County is in desperate need of assistance to begin a recovering process.

The purpose of this document is to address the importance of funding sources under the stimulus recovery plan to burst our current decaying economy. This document intends to identify mechanisms to accelerate projects that are intended to create and retain jobs, foster more stable and diversified economies, and improve living conditions. This plan provides a mechanism for coordinating the efforts of individuals, organizations, local governments, and private industries concerned with economic development.

The County of Imperial, through the Imperial Valley Association of Governments (IVAG), has prepared a list with projects in need of federal, state and local funding. Such projects are focused on projects to promote economic development throughout Imperial County. A list of projects submitted to IVAG is attached to this document.

In addition, the County of Imperial, through its Planning & Development Services Department, has compiled a list of projects submitted by each one of the seven cities located within Imperial Valley that are in need of funding, specifically through the Stimulus Recovery Program. Most of these projects are in a ready-to-go phase but are in need of funding. The projects can be categorized as follows:

- Infrastructure projects to promote future economic development,
- Transportation,
- Energy efficiency projects,
- Drinking water & waste water,
- Education, including vocational training, and
- Housing

The County of Imperial and the cities understand the importance of mutual collaboration to mobilize projects submitted for funding under the Stimulus Recovery Program; for this reason, we intent to create a regional roundtable to address possible issues that may prevent or hold the completion of projects.

Environmental Analysis Process

Over the past decade Imperial County has worked hard to streamline its environmental analysis and discretionary project review processing. Under both State and Federal regulatory requirements of both the California Environmental Quality Act (CEQA) and the National Environmental Protection Act (NEPA) Imperial County has developed a processing schedule that ensures the quickest possible timeframe. The process is as follows:

For a CEQA based environmental review what would get a Negative Declaration or Mitigated Negative Declaration.

- 1) Receive project application and either reject or deem complete in 2 weeks (CEQA gives 30 days).
- 2) Concurrent with initial project application submittal project will be sent to all responsible agencies for initial review and comment. This helps provide vital data for the preparation of the Environmental Checklist (Initial Study). Release to responsible agencies occurs within 24 hours from initial receipt of the project application and runs concurrent with staff's review of the project.
- 3) Environmental Checklist is completed and project within 2 weeks after project is deemed complete (for processing).
- 4) Project goes before the Imperial County Environmental Evaluation Committee Hearing for determination either a Negative Declaration or Mitigated Negative Declaration. Hearings are held twice monthly.
- 5) Depending on the Environmental Evaluation Committee determination project will be circulated in accordance with CEQA for either 20 or 30 days.
- 6) County will review all comment letters received during the circulation period, prepared responses, and schedule for Imperial County Planning Commission for environmental approval. Hearings are held twice monthly.
- 7) Average total time for a CEQA based environmental review and approval is 70 days (calendar) for a Negative Declaration to 80 days for a Mitigated Negative Declaration.

For a NEPA based environmental review what would get a Finding of No Significant Impact.

- 1) Receive project application and either reject or deem complete in 2 weeks.

- 2) Concurrent with initial project application submittal project will be sent to all responsible agencies for initial review and comment. (This helps provide vital data for the preparation of the Environmental Assessment. Release to responsible agencies occurs within 24 hours from initial receipt of the project application and runs concurrent with staff's review of the project.
- 3) Follow-up release of project application with early agency to agency consultations to reduce the timeframe and ensure an accurate Environmental Assessment. This also helps in reducing the individual federal agency's comment period during the public release of the Environmental Assessment.
- 4) Environmental Assessment is completed and project within 2 weeks to a month after project is deemed complete (for processing).
- 5) Environmental Assessment receives a Finding of No Significant Impact (FONSI) and is released to the public for a 30 day review and comment period.
- 6) Imperial County signs the adopted Finding of No Significant Impact.
- 7) Average total time for a NEPA based environmental review and approval is 80 days (calendar) for a Finding of No Significant Impact.

For Either CEQA or NEPA based environmental reviews that result in either an Environmental Impact Report or Environmental Impact Statement state and federal guidelines are strictly adhered to. Following the same processing practices noted above the County will expedite the process where possible.

Imperial County's Location

Imperial County, located in the southeast corner of California, is bordered on the north by Riverside County, on the west by San Diego County, on the south by Mexico, and on the east by the Colorado River, which forms the boundary between California and Arizona. Imperial is the ninth largest county in California and covers an area of 4,597 square miles. A total of seven cities are located within the county: Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial, and Westmorland. In addition, there are several unincorporated areas with small districts that provide a variety of services to their communities.

2009 Economic Recovery Survey Report

Imperial County is one of California's major agricultural producers. The main farming area is in the Imperial Valley, an 830-square-mile area that extends from the Mexican border north to the Salton Sea. An extensive irrigation system has been developed, and adequate water is supplied from the Colorado River through the All-American Canal.

Imperial County is a rural area in southern California and covers 2.94 million acres in the southeast corner of California. With a countywide population of approximately 176,158, the largest cities in Imperial County are El Centro (43,316 population), Brawley (26,513 population), and Calexico (38,733 population). The City of Mexicali (855,962 population) is located across the international border from Calexico. From January 2007 to January 2008, the three largest cities in the county (El Centro, Calexico, and Brawley) increased their populations between 3.7 percent and 3.9 percent.

Demographics

The 2008 population of California was estimated to be 38,049,462. The county population increased to 176,158 in January 2008, according to the California Department of Finance.

There was a 3.16 percent population increase between 2006 and 2007 in Imperial County. The rate of population growth has been consistent across all areas of the county. Natural increase (births minus deaths) added 3,280 individuals, and net migration added an estimated 2,977 individuals. Imperial County is expected to continue its rapid growth. Interim county projections estimate that the population in Imperial County will have grown to 185,200 by the year 2010 and up to 222,600 by the year 2020.

According to the U.S Census Bureau, families in Imperial Valley face considerable hardship, and family composition is part of that hardship. Families are somewhat larger than the state average (3.75 family members versus 3.54 statewide). Almost 82 percent of Imperial County households included children (2000) compared with only about 64 percent of households throughout California. Also, families in Imperial County are more likely to be headed by a female (18 percent versus 13 percent for California as a whole), which results in single female headed households of 18 percent as identified in the 2000 Census with no spouse present in the home. A full 11 percent of all Imperial County children live in single parent families, compared with 7 percent for the state.

Employment

The number of jobs in Imperial County has decreased over the past two years, which has raised the unemployment rate to 22.6% in 2009; which doubles the statewide unemployment rate of 10.9 percent.

2009 Economic Recovery Survey Report

In 2000, agriculture, government and retail trade dominated Imperial County's employment. Projections in non-farm employment indicated that by 2014, almost 50 percent of the job growth will be in the government industry divisions.

The number of jobs in the construction industry increased dramatically between 2000 through 2006 during the housing boom in the Imperial County. However, the construction industry declined drastically by 2008 with the housing disaster, which by the same token, drastically affected related industry such as retail, finance services, insurance, and real estate.

Professional/Business Services and Educational/Health Services have been a contributor to employment in Imperial County for the past few years. California Employment Development Department estimates that an average of 63 total annual job openings for elementary and secondary teachers in Imperial County for 2004-2014.

Government, the largest industry group in the county, has registered significant growth until 2007. However by the end of 2008, and due to the lack of funding, some cities in Imperial County have to implement furloughs and reduce their salaries up to 10 percent. The County of Imperial, as well as some cities, has implemented a hold out for new and existing job positions. This phenomenon is particularly important in terms of growth as many of the government agencies work with federal and state funding to implement projects that promotes economic development. Grant funding for many of the services provided through cities and counties agencies have become scarce, hence more competitive.

The California Employment Development Department estimates that Imperial County had a civilian work force of approximately 68,100 in 2007. From this work force, approximately 52,000 were employed and 9,800 were unemployed. This equates to an annual seasonally unadjusted unemployment rate of 18 percent. During the same time, California had an annual seasonally unadjusted unemployment rate of 5.4 percent. Historically, Imperial County has had a substantially higher rate of unemployment than the rest of California. In the last two years the unemployment rate has decreased drastically due to the current economy and the closure of retail stores.

The Agricultural industry has continued to be an important asset to the Imperial Valley's economy. About one-fifth of Imperial County is irrigated for agricultural purposes, most notably the central area known as the Imperial Valley.

Given the importance of agricultural production to the local economy, the correlation between seasonal agricultural employment and monthly unemployment rates must be considered. According to the California Employment Development Department, during 2007, the annual average number of agricultural production workers numbered just over 11,800 for the

region, which included Imperial County. This sector of the local economy appears to be declining from 2007 to 2009. Usually, as the number of agricultural workers drops in late June, the unemployment rate rises in the following month. This suggests that a substantial number of agricultural workers remain in Imperial County throughout the year rather than migrating to other areas for production work.

Since 2000, county unemployment has ranged from a low of 15.8 percent to a high of 22.6 percent (2009) which doubles the statewide unemployment rates over the same time period; statewide unemployment have ranged from a low of 4.9 percent to a high of only 10.9 percent (2008). Changes in the employment levels of the various occupations reflect changes in the area's overall level of economic activity, differences in the rate of growth or decline among the various industries, and changes in the occupational needs within individual industries in demand for widely used occupations.

Workforce Development

In an effort to mobilize projects under the stimulus recovery program, the Imperial County Workforce Development Board (ICWFDB) will be conducting a labor market research throughout Imperial County. The completion of this research will allow the County to identify the needs of new businesses who are interested in locating in the Imperial County. Once the workforce needs have been identified, the ICWDB will develop and implement local training programs in response to the workforce needs of these new businesses.

The ICWFDB is planning to submit competitive grant applications to federal and state agencies to provide vocational training in areas of renewable energy, medical services and construction. According to the ICWFDB they are just waiting to receive an invitation from the funding sources to submit their application(s).

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Jumpstarting the Construction & Development Industry Cluster for the San Diego Region

Background: In 2005, San Diego's Commercial & Infrastructure Construction (C & IC) cluster was made up of 49,748 employees, almost doubling in size from its 28,802 employees in 1995. This cluster boasts a healthy average annual growth rate (AAGR) of 5.6%, and is growing almost two and a half (2.43) times as fast relative to the United States. Most importantly, this cluster has more value-added jobs to offer than in the past. The average annual wage in 2005 was \$50,349, compared to \$42,427 in 1995.

Unique to most clusters, Commercial & Infrastructure's largest 20 occupational groups are made up of all higher level and mid-level paying jobs. In addition, the fastest growing occupations projected by the California Employment Development Department shows that C & IC is becoming a cluster that has more value added jobs to offer. The data show that by 2014, three quarters of the fastest growing jobs in C & IC will require candidates to be equipped with at least Bachelor Degree. This indicates that San Diego is expanding not only in the number of jobs offered in this cluster, but also the quality of the jobs. Although only two percent of occupations in this cluster fall into the low-wage level category, more than 63% of occupations are mid-level wage jobs.



Overview: The region is poised to leverage the Federal stimulus bill, municipal capital investment, and newly minted Public-Private Partnership (PPP) legislation at the state level to accelerate “shovel-ready” projects in x categories:

1. **Transportation:** Federal transportation stimulus funds will total \$46.7 billion – with \$3.6 billion earmarked for the state – and some \$12 billion in competitive grants
 - **Local Projects:**
 - \$105 million is targeted for the SR 76 project (5.5 mile widening). This, in turn, will permit reallocation of \$49 million of TransNet funds to other regional projects – producing a double win for the region.
 - Interstate 805: \$18 million new interchange at Carroll Canyon Road
 - \$4 million: Pedestrian improvements (Grossmont Center Trolley)
 - **State Projects:** San Diego has requested **\$X** from the State’s \$1.7 billion allocation of funds for the SR 905 project due to its significant statewide role in goods movement. The majority of freight that will be carried on this highway is destined outside of San Diego County

2. **K-12 Education:** Funding for new school construction was removed from the legislation, though school modernization programs appear eligible for some of the \$40.6 billion allocated to school districts. The region's 42 School Districts are now determining the highest and best use of these allocations – which may range in size up to \$400 million.
3. **Energy, Water, Waste Water & the Environment:** Approximately \$85 billion is targeted for utility infrastructure – and another \$9 for environmental projects. Funds will be invested in one of 4 ways:
 - **Federal project selection:** In several categories, Federal agencies will determine project candidates – including \$17 billion in energy grid improvements, \$56 billion in Army Corp flood control projects, and \$2 billion in non-defense and \$5.1 billion in defense environmental clean-up
 - **Funds to States**
 - **Competitive grants**
 - **Tax credits/incentives**

The State of California can play a valuable role in addressing fire safety. In 2003 and again in 2007 the San Diego region was besieged by deadly wildfires. The region has coordinated to undertake measures to mitigate future threats to local residents, property and businesses. However, the region continues to be threatened by an extensive tree mortality problem with up to 80% of trees in some coniferous forested areas of the unincorporated county, dead and dying due to drought and insect damage. Funds continue to be needed to reduce dangerous fuel loads and to provide adequate fire station facilities for personnel and apparatus to assist in providing life/safety services to the communities in the region.

4. **Home building:** The region has organized itself to achieve 2 important transitions:
 - The San Diego Economic Development Corporation, and other business groups, are organizing to find new land-use and infrastructure finance strategies to reflect the need for greater land use intensity resulting from diminishing green-field development opportunities in our region.
 - Leveraging \$13.5 billion nationwide for various housing-related programs: \$10 billion will be allocated to state and local housing agencies based on funding formulas used to make 2008 grant awards – with another \$3.5 billion to be competitively awarded. The LAO projects California winning between \$1.1 billion and \$1.3 billion of these funds – with the Housing & Community Development Department expected to receive \$400 million.
 - Affordable Housing development
 - Homelessness prevention
 - Rental assistance
 - Emergency assistance for redevelopment of abandoned or foreclosed homes

The State of California can play a valuable role in supporting environmental reforms, particularly on lands previously developed, and allocation of “smart growth” incentive funds.

5. **Public Safety:**

- California National Guard: Building Construction and Renovation could receive up to \$26.5 million for various deferred maintenance construction and renovation projects
- Airport Baggage screening, border security, Fire Stations \$2.8 billion

6. **Health Care:** \$1.2 billion in Veteran’s hospital facilities spending will include at least one San Diego facility.

7. **Redevelopment Projects:** The region is now organizing itself to evaluate some \$9 billion in redevelopment funding categories:

- Economically distressed investment tax credits \$1.5 billion
(Increase from \$3.5 to \$5 billion)
- Tax exempt bond: Native American Econ Dev \$2 billion
- Community Development Block Grants \$1 billion
- Permit states/locals to sell taxable debt (2009/10)
& subsidies \$4.3 billion
- Expand Broadband Access/Under-served \$4.5 billion

Restoring the Construction & Development Sector: Five Opportunities for state support

1. Dedication of \$X state transportation stimulus dollars to the State Route 905 project. SR905 will be used for considerable international goods movement – the majority of which is crossing the border near San Diego, but is destined for other parts of the state and nation.
2. Coordination of California strategy for the \$12 billion in competitive ARRA transportation funding – including:
 - \$1.5 billion Supplemental Grants
 - \$8 billion High Speed rail
 - \$1.3 billion Amtrak (60/NE corridor – 40% available)
3. Ensure adequate school building plan-check capacity to process \$X in education facility construction funding
4. State legislation is required to amend the traditional 70/30 state-local transportation funding split
5. Public/Private partnerships: full implementation of 2009 Budget Act reforms

II. Restoring the Visitor & Tourism Industry Cluster for the San Diego Region

It is critical that the State continue funding for **California Trade & Tourism (CTTC)** as they are responsible for the continued outreach to both National and International markets. They have a great campaign to promote State Tourism and it is more important now than ever before. The current funding has allowed the State a much needed presence in the international markets, something that the individual destinations were not able to do on a large scale.

The U.S. Travel Association continues to be the voice of travel & tourism. Their focus is to get America back traveling again and to offset some of the negative press and rhetoric that has come out after the last several months associated with the financial crisis. It is critical that our public officials understand the economic importance and value in business travel and meetings, as well as the negative employment impact associated with a slowdown in the travel sector.

III. Sustaining high-tech and new-tech job clusters for the San Diego Region

CleanTECH San Diego convened a working group (March 18) to map a strategy to secure Federal stimulus funding, adopting the following priorities:

1. **Smart Grid funding:** Attract share of \$18 billion to be distributed by Federal government agencies
2. **Energy storage:** Research & commercialization funding
3. **Clean Transportation:** Research and commercialization funding
4. **Clean Renewable Energy Bonds (CREBS):** Funding source for public renewable energy facility systems
5. **Algae:** Research and commercialization funding for biofuel applications

Health Care technology is an additional and large focus of Federal stimulus funding. It is our understanding that the State's Health & Welfare Agency will convene stakeholders in that industry by early April to ensure California benefits from this funding.

Additional research funding will be pursued by regional universities: UCSD, CSU San Diego and San Marcos, as well as our biotech Institutes: Burnham, Salk, Scripps, and UCSD.

Additional interest is centering on the National Science Foundation: Environment & Global Competitiveness funding of \$3 billion

IV. WORKFORCE SUPPORT & DEVELOPMENT in the San Diego Region

The San Diego Workforce Partnership has already developed a sound and widely supported strategy to invest the San Diego region's expected \$17-20 million of work force development funds:

- \$7-8 million for summer and after school jobs for youth
- \$10-12 million for job training for dislocated workers

Additional WIA Funds for California	
Category	Allocation (Millions)
Adult (Employed & unemployed)	\$ 81
Youth	\$188
Dislocated Workers	\$225
Total	\$494

CA Unemployment Insurance (UI) – Fiscal Impacts	
Provision	Amount (Millions)
Extended UI benefits now through 2009	\$3,200
Temporary increase of 25 in weekly benefits through 2009	1,000
Incentive payment if state implements UI eligibility changes	844
Temporary relief of state interest payments for UI federal loans	314
Additional funds for UI administration	60
Total	\$5,418

Request: OPPOSE LAO recommendation that the Legislature direct all of the \$74 million in discretionary funds to offset employment and training program General Fund costs in either:

- CA Department of Corrections and Rehabilitation
- CA Conservation Corps